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**VIA FAX**

**TO:** Gary E. Linsted  
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Brian O'Donnell

**FROM:** Joseph R. Jackman  
Remacor, Inc.

**DATE:** 7/15/05

**SUBJECT:** Update on Activities

**1. Potential Investors**

Discussions with various potential investors continue. The following is a brief update on the status of each potential investor that continues to have an interest to date.

**a. Kevin Jones – Bear Metallurgical, Butler, Pa**

Met with Jones on June 6. Supplied information and had a two-hour discussion. Jones indicated interest in Remacor but was going to be very busy the next month or so. He expressed concern over the property situation. On July 6, our environmental attorney, Barry Trilling of Wiggin and Dana, LLP, called me and said he had just received a call from Kevin Jones' attorney regarding our plans to secure the property in cooperation with the Lawrence County Economic Development Authority and address the Phase II Assessment. Barry knows Jones' attorney and said he was very sharp. Barry stated that the attorney was satisfied that our program was sound and insulated all parties from any unacceptable environmental liability. I will be calling Kevin Jones Monday for an update on his interest in Remacor.

**b. Gemni Holdings, Pittsburgh, PA**

Had a meeting with Everett Burns, one of three managing partners on June 28. Supplied financial data and had a three-hour meeting. Burns was very interested and said he would meet with his other two partners and review the data we gave him to see if there would be continued interest. He called earlier this week and we set up a meeting for July 19. All three principals will be here for a plant tour and further discussion.

**c. Momentum Capital Partners, Warren, Ohio**

We were contacted by Joe Zupan of MCP after having a conversation with Tom Logan. He had Andreas Foerster of MCP call to set up a meeting. I sent him copies of our updated Business Review and Proforma Financial Statements. Foerster has been trying to arrange a meeting to get their client to visit the plant. I last spoke with Foerster July 12. Still has interest but having difficulty between him and the client in arranging a meeting here in West Pittsburg.

**d. Ridgeway Powdered Metals, Ridgeway, PA**

Irv Gruber called me yesterday regarding potential interest in Remacor from Edward Pangarsis, the president and owner of RPM. Gruber is presently trying to set up a meeting for him to visit West Pittsburg. I sent Pangarsis a copy of our updated Business Review and Proforma Financial Statement report so he could review prior to our meeting.

**2. Briquetter Project**

The project was started July 5. The removal of waste materials from the building has been moving along and building preparation was begun. This is removing old equipment and extraneous ductwork, thoroughly cleaning out miscellaneous debris and fixing lights. We will begin setting equipment the week of August 1.

Tom Matesic and I will be traveling to Spencer, Iowa to inspect the briquetter and having another trial batch of briquettes produced. If everything goes well, we will make a proposal on August 25.

Estimated completion date is still September 1-15.

**3. Amacor Flashings**

We have just reached an agreement with Amacor of Anderson, Indiana to purchase approximately 60,000-80,000 lbs per month of clean dry flashings. This gives us the ability to produce about 230,000 lbs of good quality material that will be shipped to Almamet in Germany. This material only became available after their startup in June. They had a huge fire that was set by a former employee last January. I believe these flashings played a large part in that fire. Since the fire, I personally believe they do not want to accumulate the fines

and were happy to have us work out a purchase agreement. We purchased the flashings last year and they decided last fall to stop selling them and attempt to remelt them. Flashings do not result in high recoveries when remelting.

These Amacor fines or flashings replace our OMS material, which is mandatory for a quality product, until we can get the expansion and relocation of the OMS operation financed and installed. This, therefore, gives us the ability to restart our operation with only 16 production workers versus 26 production workers and generate monthly sales of Mg granules to Almamet and Reade of approximately \$140,000 with a gross profit of roughly \$14,000. When the briquetter project is completed, this will add an additional 12,000 in gross profit. This is without any sales directly to the steel industry. (See Section 6.) Four trucks per month to Mittal Steel, for example, will yield approximately \$160,000 in reagent sales, as compared to the 42% or 67,200 lbs of SMT contained in the final reagent blend that we would sell to Almamet for \$45,024. Our sales will increase by a factor of roughly 3.5 times by selling directly to the steel producers with our gross margins doubled.

#### **4. Resumption of Production on July 11**

Because of the availability of the Amacor flashings, we are able to produce roughly 5½ trucks per month of SMT product (Mg granules) with existing equipment and some modifications. This material will be sold to Almamet, Reade and directly to the steel industry. (See Section 6).

#### **5. U.S. Steel and Rossborough Status**

U.S. Steel, on June 23, and Rossborough, on June 29, have decided not to purchase our secondary magnesium at this time. U.S. Steel's decision was made at a very high level and is apparently politically motivated for reasons I am very much aware. Rossborough also informed me that they have decided not to purchase our material. This also is a decision made based on the lack of support from Bernie Rumbold, chairman, Neil Rossborough, major investor and Tom Grady, president. We lost the support of Jerry Zebrowski when he retired. I will not take the time here to further explain the decisions of these two companies. I will explain more in detail when we meet again. This has, however, created another opportunity that we now have and is explained in the next section.

## 6. Remacor Selling Directly to the Steel Industry



Frank Dursa was one of Reactive Metals & Alloys' top salesmen for over 25 years. When RMA merged with Rossborough in 2001, the merged company terminated Dursa. He has been working as an independent sales representative since that time. I have been maintaining a close relationship with Frank for just this situation that has developed in Section 5. Mittal Steel at both Indiana Harbor and Burns Harbor (Rossborough's account) want a quote from us on potentially 8 trucks of reagent (requires approximately 4 trucks of our SMT, which will be blended with lime and pure Mg from Reade Manufacturing Company [RMC] and shipped directly to our customers' plants from Reade's plant in Canada).

Reade has agreed to produce the product for us at their Stoney Creek plant in Canada and ship directly to our customers. We are presently preparing quotes for Mittal Steel and Stelco in Hamilton, Ontario. We would have available approximately 4 trucks per month of SMT to produce 8 trucks of reagent at around \$1.00/lb or \$320,000 in monthly sales at twice the margin of gross profit we presently make selling to Almamet even with having to purchase Mg from Reade and having them charge us for the production, blending and tanker truck rental. With our low-cost SMT blended at 50% with Chinese Mg our cost of production is well below Rossborough's purchase price from China. Not buying from Remacor could prove to be a strategically disastrous decision by Rossborough. They have just done us a big favor!!

We will be submitting a proposal to Mittal Steel – Burns Harbor by August 10 – after I return from a meeting with Alexander Rhomberg of Almamet in Salzburg, Austria.

## 7. Visit to Almamet in Salzburg, Austria

I have planned a trip to Salzburg for meetings with Alexander Rhomberg from August 4 through August 7. Purpose of the meetings will be to discuss present business and Alexander's possible involvement with Remacor in participation of sales directly to the North American steel industry.

## 8. Cash Flow

Because of our borrowing cap with Sky Bank, we are limited or restricted in borrowings over \$650,000 until we can demonstrate some history of profitability. As you all know, this past year was horrible financially, however, resulted in a tremendous accomplishment in determining equipment requirements and processing parameters required for producing Mg granules from oily Mg scrap (OMS). This stuff is so bad we are actually paid \$0.15 to \$0.25 per lb from most of the suppliers to take this material. Know we have to invest around \$350,000 to install necessary equipment and expand our production capacity to 8 trucks per month using OMS and 10-12 trucks with SMT, OMS and Amacor materials.

With our projected sales for the next four to six months (without any sales directly to the steel industry), we will begin to generate or build cash availability through December of roughly \$100,000. However, we presently have a cash flow shortage problem from August 12 through September/October of roughly \$75,000. We will have to somehow solve this problem. I am working hard to keep things going. In my report to you of June 17, I said we had cash for only another two or three weeks. That was four weeks ago and we are okay for at least another two weeks. Reade and Almamet have been extremely helpful in this regard. Reade has been paying in two weeks and Almamet, whose normal terms are 45 days after arrival, which in most instances is 70-80 days, has been taking a discount and paying these invoices in 30 days or less. Without the cooperation of these two companies, we could not have survived.

We must solve this cash flow situation with an outside investor very soon.

A handwritten signature in cursive script that reads "Joe Jacobman". The signature is written in dark ink and is located in the lower right quadrant of the page.

JRJ/mjl